

## **SUMMARY OF MEDC INCENTIVES & SERVICES**

### **February, 2005**

The Michigan Economic Development Corporation (MEDC) offers a wide variety of services and incentives to assist businesses to expand and relocate in Michigan and also to provide developers and communities the capability to undertake certain types of development and redevelopment projects. Listed here are some of the most often utilized of these programs. Each of these incentives has eligibility and use guidelines and not all companies or developments qualify. For additional detail and criteria on these programs, contact MEDC's Customer Assistance Center at 517.373.9808 or visit our website at [www.michigan.org](http://www.michigan.org).

### **JOB CREATION TAX CREDITS**

Companies eligible for a job creation tax credit against the Michigan Single Business Tax (SBT) are those engaged in manufacturing, R&D, wholesale trade or office operations that are financially sound and have a credible project proposal. Retail facilities are not eligible. A business may receive an SBT credit for the incremental SBT liability directly attributable to its expansion or location in Michigan and a refundable credit equal to the personal income tax attributable to new jobs being created at the site of the expansion or new location. Each credit may be awarded for up to 20 years and for up to 100% of the tax related to the project, subject to Michigan Economic Growth Authority (MEGA) board approval.

Credits are based on the number of jobs created (75 for in-state companies and 150 for out-of-state companies), average wages of at least 150% of the federal minimum wage, total capital investment, interstate competition (cost differential between competing states) and the level of local community financial or economic participation.

### **HIGH TECHNOLOGY JOB CREATION TAX CREDITS**

Similar to standard Job Creation Tax Credits, these credits are designed for businesses that are primarily engaged in high-technology activity or that use at least 25% of total operating expenses for research and development. Eligible businesses include those primarily working in advanced computing, biotechnology, electronic device technology, engineering and laboratory testing related to product development, medical device technology, product research and development, advanced vehicle technology, tool and die manufacturing, or technology that assists in the assessment or prevention of threats or damage to human health or the environment.

Credits are based on the number of jobs created (a minimum of 5 in the first year and 25 within 5 years), average wages of at least 400% of federal minimum wage, total capital investment, interstate competition and the level of local community financial or economic participation.

## **TARGETED JOB CREATION TAX CREDITS**

In addition to the standard and High Technology Job Creation Tax Credits, the Michigan Economic Growth Authority can authorize tax credit assistance in two highly "targeted" situations. These include: 1) Retention Tax Credits (retention of at least 500 jobs and new investment of at least \$250 million; retention of at least 1000 jobs statewide and at least 150 jobs at a single site and new investment; or the retention of at least 100 jobs at a facility and new investment of at least \$100,000 per job retained; and 2) Rural Tax Credits (creation of at least 5 new jobs in the first year and 25 jobs over 5 years by a company locating in a county with a population of 80,000 or less.

## **PROPERTY TAX ABATEMENTS**

For qualified manufacturing and high technology companies, local property taxes on new investment in real and personal property can be reduced by local units of government by up to one-half for up to 12 years. In the case of a rehabilitation project, the obsolete property tax value is frozen and the investment on improvements is 100% exempt from property taxes.

## **PERSONAL PROPERTY TAX RELIEF IN DISTRESSED COMMUNITIES**

Distressed areas (as determined by the Michigan State Housing Development Authority) may abate all local and state millage on new personal property for eligible economic development projects including manufacturing, mining, research and development, wholesale trade and office operations. Retail businesses and casinos are not eligible. Existing personal property already subject to taxation anywhere in the state is not eligible nor is personal property that is already exempt or abated.

## **ECONOMIC DEVELOPMENT JOB TRAINING**

In order to ensure that Michigan employers have training resources to retain and attract highly qualified workers, the MEDC administers the Economic Development Job Training (EDJT) program. There are two customized training components in the EDJT program. The first addresses the needs of individual companies making significant capital investment or adding new employees. The second provides assistance to collaborative efforts of multiple companies who are addressing competitiveness issues in vulnerable or high potential segments of the manufacturing sector. Grants are awarded to the training provider on behalf of the participating company or group of companies. Up to one-half of specified training costs may be reimbursed by the EDJT grant.

## **RENAISSANCE ZONES**

Twenty-one Renaissance Zones, containing 152 geographic-specific subzones have been established under Michigan's Renaissance Zone program. These areas are essentially tax free for any business or resident presently located in, or moving to, one of the zones. Taxes abated include nearly all state and local taxes levied. These include: the Single

Business Tax, State Personal Income Tax, State Education Tax, Local Personal Property Tax, Local Real Property Tax, Local Income Tax and Utility Users Tax.

In addition to these geographic-based tax-free zones, the Michigan Strategic Fund is authorized to designate additional tax-free zones for companies or groups of companies in specific situations including Agricultural Processing Renaissance Zones and Tool & Die Recovery Zones. Criteria for designation of these specific zones is particular to their enabling legislation.

## **COMMUNITY DEVELOPMENT BLOCK GRANTS**

Eligible communities under Michigan's Small Cities Program can receive Community Development Block Grant (CDBG) funding via loans and grants for economic or community development projects. Funds are typically used for public infrastructure needs directly related to a for-profit business location or expansion that results in the creation or retention of permanent jobs. Project beneficiaries or job holders must be individuals residing in low-moderate income households.

In addition to providing infrastructure financing directly tied a specific project (typically manufacturing or tourism), the MEDC is now offering CDBG grants for Public Works and Downtowns and Gateways projects. Public Works grants are designed to address projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. Funds can also be used for public facilities. Downtowns & Gateways grants are designed to fund public infrastructure that directly supports private redevelopment and job creating projects in traditional downtowns and at significant community gateways.

## **GROW MICHIGAN BUSINESS FUND**

The Grow Michigan Business Fund (GMBF) is a business loan program designed to stimulate and accelerate the creation of private sector jobs and investment. The program is targeted at supporting two types of business opportunities: 1) Michigan-based companies which need to fill demonstrated financing gaps not otherwise met by existing public and private financing sources; and 2) companies needing additional capital as an inducement to locate and grow in the state.

Companies may qualify for GMBF loans on the basis of their job creation/retention potential and their vulnerability to interstate competition. Preference is given to companies that are in Technology Tri-Corridor sectors. Loans can be used for either fixed asset or working capital financing and will generally be under \$500,000. Terms are individually negotiated based on the specific business case. GMBF loans can be combined with loans or grants from local community Revolving Loan Funds capitalized by CDBG.

## **INDUSTRIAL DEVELOPMENT REVENUE BONDS**

IDRB's are an attractive source of capital for manufacturing projects, not-for-profit corporation projects and solid waste facilities. These tax-exempt bonds are typically priced (including transaction costs) at approximately 75-85% of prime rate. The maximum capital investment per manufacturing project per community is \$10 million. IDRB projects are approved by the Michigan Strategic Fund.

## **SBA BUSINESS LOANS**

There are a variety of business loan programs available through the U.S. Small Business Administration (SBA). These loans provide small and medium size businesses with both long term fixed asset financing as well as working capital. The two principal SBA business loan programs are the Section 504 program (for fixed asset financing) and the 7a program (for working capital). These programs provide either direct loans or loan guarantees in conjunction with a participating bank. Loan amounts can range from \$250,000 to \$3 million and rates and terms are set by SBA. The Michigan Certified Development Corporation (MCDC) can provide assistance with all of SBA's financing programs and works closely with private lenders throughout the state.

## **BROWNFIELD REDEVELOPMENT**

To encourage the reuse and redevelopment of brownfield sites, the State may provide Single Business Tax credits for projects that redevelop a contaminated, blighted or functionally obsolete property. Credits are available for up to 10% of eligible investment, but no more than \$30 million. Eligible investment includes demolition, construction, restoration, alteration, renovation or improvement of buildings or site improvements on eligible property and the addition of machinery, equipment or fixtures.

In addition to SBT credits, contaminated properties may be eligible for tax increment financing (TIF) through the Michigan Department of Environmental Quality for eligible environmental activities or through the Michigan Economic Growth Authority (MEGA) for non-environmental activities including demolition, infrastructure improvements, site preparation and lead and asbestos abatement.

All eligible brownfield property must be designated in a locally approved brownfield plan created under the Brownfield Redevelopment Financing Act.

## **OBSOLETE PROPERTY REHABILITATION**

The Obsolete Property Rehabilitation Act (OPRA) provides an exemption for ad valorem property taxes for up to 12 years on real property improvements made to commercial property and commercial housing property that is contaminated, blighted or functionally obsolete. Property must be located in a qualified local governmental unit (one of the 104 Core Communities) and in a designated obsolete property rehabilitation district.

## **NEIGHBORHOOD ENTERPRISE ZONES**

The Neighborhood Enterprise Zone (NEZ) program provides a property tax incentive for the development and rehabilitation of residential housing. It also encourages owner-occupied housing and new investment in communities. A qualified local unit of government (Core Community) may designate one or more areas as an NEZ.

Communities can freeze taxes on properties for up to 12 years in designated NEZ's in order to undertake two types of projects: 1) rehabilitation, which is defined as an existing structure or portion of an existing structure to be used as residential housing of 1-8 units; and 2) new construction, which is defined as a structure of portion of a structure used for 1-2 units and which is owner occupied (not including apartments).

## **NEW MARKETS TAX CREDITS**

The MEDC, in conjunction with the Michigan State Housing Development Authority and the Great Lakes Capital Fund is seeking allocation of federal New Markets Tax Credits. This program provides the ability to receive a 39% federal income tax credit over a period of 7 years to investors who invest in a Community Development Entity (CDE). The three agencies have formed a CDE entitled the Michigan Magnet Fund and are awaiting determination as to credit allocation. If approved, this will provide a new source of both debt and equity capital to undertake a wide variety of real estate projects in qualifying low income census tracts throughout Michigan.